

FISCAL NOTE

Bill #: HB0258

Title: Revise laws relating to smoking

Primary Sponsor: R. Maedje

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
State Special Revenue	\$810,642	\$773,108
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

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|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Public Health and Human Services

1. There are estimated to be 176,544 adult tobacco users in FY 2004 and 175,616 adult tobacco users in FY 2005 in the state of Montana.
2. It is assumed that 46 percent of adult tobacco users, or 81,210 in FY 2004 and 84,822 in FY 2005, are attempting to quit.
3. It is assumed that of these users attempting to quit, 10 percent, or 8,121 in FY 2004 and 8,482 in FY 2005, will use an adult tobacco cessation program to assist in their attempt to quit.
4. It is assumed that 80 percent, or 6,497 in FY 2004 and 6,786 in FY 2005, of people enrolled will successfully complete the adult tobacco cessation program and that 20 percent, or 1,624 in FY 2004 and 1,696 in FY 2005, will enroll but not complete the adult tobacco cessation program. It is assumed "an adult who successfully completes a cessation program is eligible for reimbursement," means the participant has completed all program requirements and does not mean that the participant has successfully terminated their use of tobacco products.
5. A current smoker will attempt to quit seven times before successfully quitting. It is assumed that one-seventh, or 928 in FY 2004 and 969 in FY 2005, of participants who complete an adult tobacco cessation program will successfully stop smoking without the use of pharmacological adjuncts. This would result in a decrease of adult tobacco users in the state of Montana at an average rate of .54 percent per year.

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6. It is assumed that the number of participants enrolled in an adult tobacco cessation program will increase each year based on a five-percent increase in number of participants in adult tobacco cessation programs.
7. It is assumed that "a person who is reimbursed ...is not eligible for reimbursement for the successful completion of another cessation program for at least 12 months..." excludes reimbursement from health insurance-sponsored cessation programs.
8. There are 52 Local Health Boards (LHB) in the state of Montana. This figure does not include tribal health departments, which are not listed in the bill.
9. It is estimated that LHBs will process and submit participant applications for reimbursement on a weekly basis.
10. It is assumed that an adult tobacco cessation program costs \$90.00 per participant.
11. Total cost for reimbursement of an adult tobacco cessation program would be \$1,497,383 for the biennium (\$732,411 in FY 2004 and \$764,972 in FY 2005). Based on the statistics previously listed we make the following assumptions for these costs associated with reimbursement to persons who enroll in an adult tobacco cessation program:
 - a. Reimbursement for participants enrolling in and completing an adult tobacco cessation program would be \$1,344,870 for the biennium. Reimbursement is to be made at 50 percent of the cost of a program upon enrollment and 50 percent upon completion of a program.
 - i. FY 2004 $(8,121 \text{ enrolled} \times \$45 = \$365,445) + (6,497 \text{ completed} \times \$45 = \$292,365) = \$657,810$
 - ii. FY 2005 $(8,482 \text{ enrolled} \times \$45 = \$381,690) + (6,786 \text{ completed} \times \$45 = \$305,370) = \$687,060$
 - b. It is estimated that printing of an application form for those adults seeking reimbursement for enrollment in an adult tobacco cessation program would cost \$0.1664 per application or \$2,763 for the biennium. It is assumed that everyone who enrolls in a tobacco cessation program will seek reimbursement.
 - i. FY 2004 $8,121 \text{ applications} \times \$0.1664 = \$1,351$
 - ii. FY 2005 $8,482 \text{ applications} \times \$0.1664 = \$1,412$
 - c. It is estimated that it will cost \$320 for the biennium to mail the application forms to the LHBs.
 - i. FY 2004 $52 \text{ LHBs} \times \$3.08 = \160
 - ii. FY 2005 $52 \text{ LHBs} \times \$3.08 = \160
 - d. It is estimated that it costs \$5.00 for the processing of one warrant; the cost to issue reimbursement to participants and LHBs would cost \$149,430 for the biennium. This consists of 80 percent of participants completing an adult tobacco cessation program being reimbursed one half at enrollment and one half upon completion and 20 percent of participants enrolling but not completing the program.
 - i. FY 2004 $((6497 \text{ completed} \times 2) \times \$5) + (1,624 \text{ enrolled only} \times \$5) = \$73,090$
 - ii. FY 2005 $((6786 \text{ completed} \times 2) \times \$5) + (1,696 \text{ enrolled only} \times \$5) = \$76,340$
12. It is assumed that the department will need to create a web-based database of all adult tobacco cessation programs within the state of Montana in order to provide this information to the LHBs as required in Section 4 (6) and will provide a quarterly hard copy report of the information contained within the database. It is estimated that this will cost \$86,397 for the biennium (\$78,261 in FY 2004 and \$8,136 in FY 2005).
 - a. It is estimated to cost \$85.00 per hour for programming time to create a simple web-based database. It is estimated that it will take 825 hours to initially create this database for a one-time start up cost of \$70,125.
 - i. FY 2004 $\$85.00 \times 825 \text{ hours} = \$70,125.$

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- b. It is estimated that it would take 60 hours per year for maintenance and enhancements to the database for an annual cost of \$5,100.
 - i. FY 2004 \$85.00 x 60 hours = \$5,100
 - ii. FY 2005 \$85.00 x 60 hours = \$5,100
 - c. It is estimated to cost eight hours of programming time to produce one quarterly report
 - i. FY 2004 \$85.00 x 8 hours x 4 reports = \$2,720.
 - ii. FY 2005 \$85.00 x 8 hours x 4 reports = \$2,720.
 - d. It is estimated that it will cost \$1.52 to mail one quarterly report to each LHB for an annual mailing cost of \$632.
 - i. FY 2004 \$1.52 x 52 LHBs x 4 mailings per year = \$316.
 - ii. FY 2005 \$1.52 x 52 LHBs x 4 mailings per year = \$316.
13. It is assumed that the department will need to provide brochure type materials on adult tobacco cessation programs to LHBs for distribution to local establishments. The cost of this material cannot be quantified at this time.
14. The bill does not specify what funding source is to be used to provide for the costs associated with this bill. It is assumed the department will use the special revenue account established pursuant to Initiative 146.

Department of Administration

15. The Department responsible for establishing, administering, and funding the tobacco cessation reimbursement program is the Department of Health and Human Services.
16. The current smoking cessation program available to State of Montana employees, and administered by the Employee Benefits Bureau of the Department of Administration, would transfer to the Department of Health and Human Services and be incorporated into services provided by that Department under this bill. The cost savings to the Employee Benefits program would be negligible. The current smoking cessation reimbursement program offered by the Employee Benefit's Wellness Program is rarely utilized.

FISCAL IMPACT:

	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$74,601	\$77,912
Operating Expenses (Section 4 (6))	78,261	8,136
Benefits	657,810	687,060
TOTAL	<u>\$810,672</u>	<u>\$773,108</u>

Funding of Expenditures:

State Special Revenue (02)	<u>\$810,672</u>	<u>\$773,108</u>
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Revenues:

State Special Revenue (02)	<u>\$0</u>	<u>\$0</u>
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02)	<u>(\$810,672)</u>	<u>(\$773,108)</u>
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**Department of Public Health and Human Services**

1. This bill would require local health boards to incur costs associated with processing the payments to adult tobacco users for enrollment and completion of an adult tobacco cessation program and for the costs

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associated with providing copies of information on adult tobacco cessation programs to establishments where smoking is allowed; however, the bill does not delineate a reimbursement mechanism to local boards of health.

2. Section 4 (5) states that local governments may require installation of a smoke ventilation system in establishments containing enclosed public places that allow smoking. The cost to the local government could be significant if they choose to enforce this requirement. The bill does not provide funding to the local government to do this. Nor does the bill provide local governments authority to enforce this regulation if they choose to require it.
3. Section 4 (6) requires local boards of health to distribute information but does not provide funding to the local government to do this.

Department of Administration

4. This bill has the potential to add significant expenditures to entities defined as an “enclosed public place” with no specific means of providing such financing.

TECHNICAL NOTES:

Department of Administration

1. It is not clear whether the tobacco cessation reimbursement program created by this bill would become the primary funding source for existing and future tobacco cessation programs provided by employer wellness programs or insurance plans.